

31st SPREP MEETING OF OFFICIALS

5, 6, and 7 September 2023, Apia, Samoa

Agenda Item 6.5: Appointment of External Auditors

Purpose of paper:

1. To seek the Meeting's approval for the appointment of External Auditors, to conduct the annual audit of SPREP's financial accounts for the financial years ending 31 December 2023 and 2024.

Background:

2. The term of the Secretariat's current external auditor- BDO Samoa for two years expired on 31st August 2023. Section 29 of the Financial Regulations requires the SPREP Meeting, on the Director General's recommendation, to "appoint biennially, one or more Auditors in no way connected with the Secretariat on such terms as it sees fit to undertake the audit of the Secretariat's annual accounts".
3. The Secretariat advertised in April for tenders both locally and internationally for the audit of its 2023 and 2024 accounts.
4. Tender criteria require firms to demonstrate the following attributes:
 - i. Must be an independent external auditor who is a registered member of a national accounting or auditing body or institution which in turn is a member of the International Federation of Accountants (IFAC) and who is certified to perform audits.
 - ii. Extensive experience in the audit of similar inter-governmental agencies or international / regional organisations
 - iii. Must employ sufficient staff with: (i) appropriate professional qualifications and suitable experience with IFAC standards. It is the responsibility of the auditor to propose and use an engagement team composed of an appropriate mix of auditors for this engagement. (Staff profiles and CVs must clearly outline staff qualifications and experience)
 - iv. Demonstrated understanding of the requirements of the TOR with appropriate methodology for delivering the required outputs of this consultancy
 - v. Provides a competitive fee taking into account work carried out remotely or in-country. It is essential to note that the "value for money" assessment will consider economical, efficiency and effectiveness, which does not necessarily favour the cheapest tender.

5. SPREP received proposals within the deadline (08 May 2023) of which four (4) proposals were submitted and assessed by the evaluation panel made up of Project accountant, Project Manager – Intra ACP CLIMSA, PacWastePlus Finance and Procurement Officer and the Procurement Finance Officer (non voting member). The qualified firms and their relevant backgrounds are as follows:

- **BDO Samoa** – BDO is a global and regional organisation with relevant sector expertise not only in the local market, but within the region and internationally through their affiliation with BDO international, International Institutions and Donor Assurance Group headquartered in London. They have 8 BDO Offices in the Pacific Region. BDO was formerly known as Betham and Co. and they had audited SPREP’s financial accounts from 2010 – 2016 and again from 2021 - 2022. BDO Samoa have extensive local Samoa experience auditing different organisations including SPREP, UNDP and PIDC.
- **HLB Mann Judd (Fiji)** - HLB Mann Judd Fiji is part of the Australia and worldwide HLB network of accountants and advisors. HLB Mann Judd Australasia comprises of offices in Australia, New Zealand and Fiji. They have over 30 years’ experience in Fiji but their proposal did not cite any clients or experience in carrying out audits for regional organisations similar to SPREP.
- **KPMG (Fiji)** – KPMG is a global organization of professional services firms providing audit, tax and advisory services. KPMG firms operate in 143 countries and territories. KPMG's Suva office assists clients throughout Fiji. Together with their team in Nadi, they provide support to clients throughout the Pacific Island countries, including Solomon Islands, Vanuatu, Samoa, Tonga, American Samoa, Nauru, Kiribati and Tuvalu. Including key notable regional organizations such as SPREP, USP, Fiji National University, FFA, SPC and PIFS.
- **Lochan & Co** – Lochan & Co is a consulting and assurance firm established in India since 1987. Lochan & Co has offices in India, Cambodia, Malawi, Australia, and the USA and has been providing audit and consultancy services in more than 95 countries on five continents. Some of their key clients include: SPREP, The World Bank, The Global Fund, Asian Development Bank, African Development Bank, Agence Française de Développement ("AFD"), International Labor Organization (ILO), UNDP, UNICEF, UNFPA, UNOPS, UNON/UNEP, UN-Women, UNFAO, WFP, UNESCO and WHO.

6. The proposed costs from the above tenders are as follows:

Audit Firm	2023	2024	Total
BDO Samoa	USD\$17,250	USD\$17,250	USD\$34,500
HLB Mann Judd (Fiji)	USD\$11,365	USD\$10,075	USD\$21,440
KPMG (Fiji)	USD\$23,000	USD\$24,000	USD\$47,000
Lochan & Co	USD\$14,162	USD\$14,162	USD\$28,324

7. All bids received were within the allocated budget for 2023/2024 audits at USD\$50,000.

8. The panel in their assessment agreed that all four proposals met the conditions set as prerequisites for the assessment and were evaluated against the criteria. However, following the detailed assessments, the panel noted that the proposal from HLB Mann Judd, did not satisfy the technical criteria, they provided brief information about the company and their previous clients. Their methodology and approach was generic and not detailed. Therefore, their proposal was excluded from the final evaluation.
9. BDO, KPMG and Lochan & Co. demonstrated very comparable wealth of experience and exposure in carrying out external audits for a range of organisations and donors. All three companies also provided a high level of assurance of the competency in terms of maintaining excellence and upkept with international auditing standards as a result of their affiliations with the top global auditing firms. However, the panel felt that KMPG had an advantage as they presented a well-structured and very clear audit approach and methodology.
10. Although KPMG's financial proposal was the highest, it was still within the budget for 2023/2024 audits of USD\$50,000. The panel felt that their proposal offered the best value for money when considering all aspects of their proposal particularly their extensive experience and value adding audit tailored to meet SPREP's expectations. In comparison to the other two firms, KPMG's proposal was very well structured and articulated with a clear audit approach and methodology. The proposed team compromise of a Senior Partner, Manager and Assistant Manager who have been previously involved in other SPREP audits therefore have an in-depth understanding of the operations, activities, issues and risks faced by SPREP from their previous engagements.
11. It was concluded that based on the above assessment, the panel agreed to recommend awarding the contract to **KPMG (Fiji) for auditing SPREP's financial accounts for 2023/2024**. In the event KPMG are unable to undertake this work, the panel noted either BDO and Lochan & Co. can potentially do the work.
12. Based on the **technical** evaluation criteria, the tender evaluation committee's aggregate ranking were as follows.
 1. KPMG (Fiji)
 2. BDO and Lochan & Co. equal
 3. HLB Mann Judd

Recommendation:

13. The Meeting is invited to:
 - 1) **Consider** the paper and **endorse** the appointment of KPMG (Fiji) to audit SPREP's financial accounts for the financial years ending 31 December 2023 and 2024.
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